

**REPORT OF THE AUDIT OF THE
LAUREL COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES**

July 22, 2004



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Lawrence Kuhl, Laurel County Judge/Executive
Honorable Gene Hollon, Laurel County Sheriff
Members of the Laurel County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the Laurel County Sheriff's Settlement - 2003 Taxes as of July 22, 2004.

We engaged Ross & Company, PLLC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Laurel County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
LAUREL COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES**

July 22, 2004

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
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Telephone (502) 499-9088
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
LAUREL COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES

July 22, 2004

Ross & Company, PLLC has completed the audit of the Sheriff's Settlement - 2003 Taxes for Laurel County Sheriff as of July 22, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$12,928,293 for the districts for 2003 taxes, retaining commissions of \$462,412 to operate the Sheriff's office. The Sheriff distributed taxes of \$12,438,561 to the districts for 2003 Taxes. Taxes of \$395 are due to the districts from the Sheriff and refunds of \$1,732 are due to the Sheriff from the taxing districts.

Deposits:

The County Sheriff's deposits were insured and collateralized by bank securities or bonds.

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Independent Auditor's Report

We have audited the Laurel County Sheriff's Settlement - 2003 Taxes as of July 22, 2004. This tax settlement is the responsibility of the Laurel County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Laurel County Sheriff's taxes charged, credited, and paid as of July 22, 2004, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Lawrence Kuhl, Laurel County Judge/Executive
Honorable Gene Hollon, Laurel County Sheriff
Members of the Laurel County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2004, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -
October 18, 2004

LAUREL COUNTY
 GENE HOLLON, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2003 TAXES

July 22, 2004

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,113,015	\$ 1,560,126	\$ 5,764,101	\$ 2,008,224
Tangible Personal Property	177,254	284,565	919,773	718,856
Intangible Personal Property				338,025
Fire Protection	1,696			
Increases Through Exonerations	397	536	2,059	9,015
Franchise Corporation	112,859	170,596	582,035	
Unmined Coal - 2003 Taxes	200	269	1,040	360
Oil and Gas Property Taxes	155	208	803	278
Penalties	10,027	14,201	51,865	21,188
Adjusted to Sheriff's Receipt	1	97	1	19
Gross Chargeable to Sheriff	<u>\$ 1,415,604</u>	<u>\$ 2,030,598</u>	<u>\$ 7,321,677</u>	<u>\$ 3,095,965</u>
<u>Credits</u>				
Exonerations	\$ 9,185	\$ 13,257	\$ 47,574	\$ 23,223
Discounts	17,858	25,572	92,409	44,084
Delinquents:				
Real Estate	67,154	92,425	347,174	120,578
Tangible Personal Property	2,894	4,646	15,018	11,143
Intangible Personal Property				1,357
Total Credits	<u>\$ 97,091</u>	<u>\$ 135,900</u>	<u>\$ 502,175</u>	<u>\$ 200,385</u>
Taxes Collected	\$ 1,318,513	\$ 1,894,698	\$ 6,819,502	\$ 2,895,580
Less: Commissions (a)	<u>56,324</u>	<u>78,546</u>	<u>204,192</u>	<u>123,350</u>
Taxes Due	\$ 1,262,189	\$ 1,816,152	\$ 6,615,310	\$ 2,772,230
Taxes Paid	1,259,914	1,812,702	6,602,661	2,763,284
Refunds (Current and Prior Year)	<u>2,501</u>	<u>3,491</u>	<u>12,615</u>	<u>10,050</u>
Due Districts or (Refunds Due Sheriff)		(b)	(c)	
as of Completion of Fieldwork	<u>\$ (226)</u>	<u>\$ (41)</u>	<u>\$ 34</u>	<u>\$ (1,104)</u>

(a), (b), and (c) See Next Page

The accompanying notes are an integral part of this financial statement.

LAUREL COUNTY
 GENE HOLLON, COUNTY SHERIFF
 SHERIFF'S SETTLEMENT - 2003 TAXES
 July 22, 2004
 (Continued)

(a) Commissions:

10% on	\$	10,000
4.25% on	\$	6,037,920
3% on	\$	6,740,943
2.5% on	\$	78,559
1% on	\$	60,871

(b) Special Taxing Districts:

Library District	\$	(47)
Health District		19
Extension District		3
Soil Conservation District		17
Bush Fire District		<u>(33)</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>(41)</u></u>
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(c) School Districts

Common School	\$	356
Graded School		<u>(322)</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>34</u></u>
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LAUREL COUNTY
NOTES TO FINANCIAL STATEMENT

July 22, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of July 22, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

LAUREL COUNTY
NOTES TO FINANCIAL STATEMENT
July 22, 2004
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 24, 2003, through June 8, 2004.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2003. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 25, 2004, through June 8, 2004.

Note 4. Interest Income

The Laurel County Sheriff earned \$7,114 as interest income on 2003 taxes. As of October 18, 2004, the Sheriff was due \$16 in interest from the common school district and \$166 from the graded school district. The Sheriff owed \$949 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Laurel County Sheriff collected \$83,468 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of October 18, 2004, the Sheriff owed \$15,676 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Laurel County Sheriff collected \$13,062 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.090, effective through June 23, 2003, property is presumed abandoned after seven years, after which time it is to be turned over to the Kentucky State Treasurer. After KRS 393.090 was amended, effective June 24, 2003, property is presumed abandoned after three years, after which time it is to be turned over to the Kentucky State Treasurer, in accordance with KRS 393.110. For the 2003 taxes, the Sheriff had \$736 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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The Honorable Lawrence Kuhl, Laurel County Judge/Executive
The Honorable Gene Hollon, Laurel County Sheriff
Members of the Laurel County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Laurel County Sheriff's Settlement - 2003 Taxes as of July 22, 2004, and have issued our report thereon dated October 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Laurel County Sheriff's Settlement - 2003 Taxes as of July 22, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

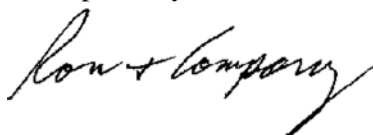
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Laurel County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -
October 18, 2004

